



CALIFORNIA VETERANS BOARD

MINUTES OF SELECT COMMITTEES MEETING #649

Friday, September 13, 2002 -- 8:00 A.M.

Medal of Honor Hall

1227 O Street, Sacramento, CA



OPENING COMMENTS/ INTRODUCTIONS:

The California Veterans Board (CVB) informal public meeting was called to order at 8:00 a.m. California Veterans Board members present included Chairman George Sinopoli (Fresno), Vice Chairman Edward Feldman (Westlake Village), Members Jerry Basconcillo (Delano), Judy Gaze (San Diego), Larry Lattman (California Veterans Home in Yountville) and Leo Burke (Stockton). CVB Executive Officer Earl Steck was also present.

Chairman Sinopoli asked Charles Parnell, State Commander, The American Legion, to lead the Pledge of Allegiance. Chairman Sinopoli introduced the members of the Board; the Executive Officer, Earl Steck; and Valerie Asher who has been assisting Mr. Steck. Bruce Thiesen, Secretary of Veterans Affairs, introduced members of his staff including Deputy Secretary and Legal Counsel Joe Maguire, Glen Halsey, Chief of Veterans Services Division; and Ralph Cansimbe, Veterans Services Division. Later, Secretary Thiesen introduced Cheryl Schmidt, Deputy Secretary for Women Veterans; Joe Barajas, who recently joined the department and will work on the Disabled Veterans Business Enterprise (DVBE) project; and Al Scott of the Veterans Homes Division.

Chairman Sinopoli explained that this meeting is a working session with priority to review and update the Veterans Board Policy Book.

SELECT COMMITTEES REPORTS:

Policy and Procedures – Edward Feldman Chair: Dr. Feldman said the Policy Book should be considered an operations tool to provide guidance in policy for the department. Any changes are in no way punitive. Some of the existing policies required refinement and changes in the Policy Book will be an ongoing task. He said there is a very close working relationship between the Board and the Department. Chairman Sinopoli said there are plans for eight Veterans Homes throughout the state and the policies of the Board should apply equally to all the homes. Chairman Sinopoli also noted General Policy A-10 relating to unauthorized public comments by Board Members, which is based on a Resolution passed by the Board in September 1999. General Policy A-1 provides that policy is defined as the general principles by which the Department is to be guided in its management of the state's veterans programs and does not include becoming involved in the day-to-day operations of the

Department. If there is no vote or resolution made by the Board authorizing official comments, the Board will disavow, renounce and repudiate unsupported and unauthorized comments which could be erroneously interpreted as official Board policy.

Dr. Feldman said he had written some general outlines regarding proposed changes in policy. Under law, the Board is to establish policy for the Department. Although there is a close relationship between the Board and the Department because of their parallel goals, a separation of each entity must be maintained.

Board Member Gaze stated it is important to look at how the Board and the Department do business and how they interact. Normally a board has oversight and gets briefings and reports from executive staff. She said the Veterans Board receives reports and briefings sporadically, but there should be some type of schedule for reporting so that the Board can determine how its policies are being implemented.

There was discussion of the budget restrictions and the upcoming election and what roles these events might play in formulation of policy. Dr. Feldman said it is important to move forward with the policies regardless of fiscal constraints or changes in administration. Policy should be separate from budget problems and political considerations. He said he sees no need for drastic changes in policy because the Department runs well. It is a matter of setting guidelines and ensuring that policy is up-to-date in accordance with the laws that govern the various programs within the Department.

Dr. Feldman read a proposed amendment to General Policy A-9. Existing policy states that the Board will have an audit committee whose responsibilities include final approval of any outside auditors and review of all internal and external audits of Department programs and/or operations. The proposed amendment would add that the Board and /or appointed audit committee shall communicate quarterly and or receive communications of the Inspector General for Veterans Affairs. The purpose of this communication will be to update on an ongoing basis current and proposed IG operations and their findings preliminary and otherwise relative to departmental audits and operations. This policy would be a tool by which the Board will be informed in a timely manner of problems that arise in the operations of the Department. He said the Board needs to be kept up to date on departmental activities and kept apprised on any investigations. The policy is intended to task the Department to give the Board formal reports.

Secretary Thiesen said there will be budgetary constraints and suggested the Board hold its meetings in Sacramento at least quarterly so that staff can be provide without being required to travel throughout the State. John Hanretty, Chief of Finance, said there were presently nine audits in process. The audit also includes the one-year corrective action plan. The question is the amount of detail the Board requires on each ongoing audit. The Board will have to schedule its meetings to provide time for the Department to give the detail being requested. There was further discussion regarding the times and places of Board meetings. Dr. Feldman said that he believes the principle of meetings in various areas of the State is admirable. But he has found that few veterans attend the meetings. As a practical matter, the Board needs to meet in Sacramento. Board Member Lattman said it was very important to also meet at the various Veterans Homes because the Board has oversight over the homes. He pointed out attendance is always highest at meetings held at the Veterans Homes. Mr. Hanretty suggested that the wording of the policy be that the Board will establish a periodic, routine schedule to review audits to provide some flexibility. Chairman Sinopoli said the reason this meeting was held in Sacramento was to that Department staff could provide input into the establishment of policy. Mr. Lattman said the Board should get a summary report on the progress of ongoing audits rather than detail at every meeting.

Board Member Gaze said the Board should be advised of metric trends on items that will be identified in balanced scorecard reports. For example, in Farm and Home, being advised of the numbers of loans being processed, processing time, amounts of loans being refinanced, comparison of interest rates in the private sector, and financial analyses of program in relation to bonds outstanding. The Board should identify those metrics in partnership with Department staff in order to receive periodic reports. The procedure should be formalized. Board members should be aware so they can respond to questions being asked of them in travels throughout the State. She said that is part of the Board's responsibility in policy and oversight. What are the indicators? How do we know we are doing a good job?

Mr. Hanretty said it is an advantage to the department to have the Board know about the audits and the responses. The findings of the audits always make the newspapers, but the responses from the Department rarely do. He suggested there be a general policy whereby the department provides reports on audits to a committee. Board Member Burke said it is important that the Board not get beyond its policy role. Board Member Basconcillo said reports on the audits should fit into the schedule of the Board's Friday sessions. Secretary Thiesen explained that Department receives no information from the Bureau of State Audits (BSA) until their exit review, which can be six months or a year after the audit. The Department cannot take action until the audit is completed. He said there had been eleven audits of the Department during this administration. The subject of the next scheduled audit is the Board itself. Ms. Gaze asked who decides what audits are conducted. It was explained that there are both internal and external audits. The Department and the Inspector General get together to determine what audits are required each year. External audits from the BSA are requested by members of the Legislature. Anyone can request an audit through a legislator. The Department of Finance can also conduct audits. The Department has little control over external audits and is often unaware of findings until the exit review. Often corrective action has been taken with problems prior to the exit review being published, but that is rarely reported.

Mr. Burke asked Board Counsel Joe Maguire to define policy and procedure. Mr. Maguire replied that, briefly, policy is the overall guidelines for an operation and procedures are the methods of carrying out the operations.

Dr. Feldman read a proposed addition to policy for the Veterans Homes as follows: The Board will require of the Department of Veterans Affairs an annual visionary statement reflecting the anticipated changes in the veteran population. In an effort to identify and thus anticipate the changing needs of veterans (i.e., Vietnam vets suffering PTSD and substance abuse problems) it will be necessary for the Deputy Secretary of Veterans Homes to correlate these anticipated changes with that information gathered by the U. S. Department of Veterans Affairs.

Mr. Lattman said he believed this was being done. It is being anticipated that there will be need for more staff specializing in psychology rather than medicine. Dr. Feldman said he understands that. Putting the language into the policy manual does not imply that needs are not being anticipated. However, the policy should be written and adopted. Dr. Feldman commented that the Board sees denials for entry into the Veterans Homes that are appealed, but does not see other denials. He said in order to determine deficiencies in services being provided, it is important to see the number of denials for admission and the reasons for the denials.

Dr. Feldman proposed another addition to policy as follows: As the needs for Veterans Home residents evolves, the disqualifying conditions found in items 1-6 of Section C2 have to be defined more specifically. It was agreed to follow up on this proposed change at a later date.

Dr. Feldman continued with the following suggested change to policy: Staff will annually prepare an updated plan, visionary in scope, to project the future requirements of veterans with substance abuse problems. Such report will be submitted to the Board for purposes of review and approval. The Board will require the Veterans Homes provide a setting that will ultimately have staffing and facility for veterans suffering from substance abuse.

He said there is a need to identify and address the long-term problem of substance abuse. Mr. Lattman said those seeking care for substance abuse are encouraged to go to the federal VA that has a comprehensive program and facilities to address these issues. This includes both drug and alcohol addictions. When they have gone through the VA program, they can come into the Veterans Homes. There are facilities in the Homes for counselors and meetings, but the peace and tranquility of the Veterans Homes should not be upset by people who have these types of problems. He said this approach has worked very effectively. Dr. Feldman said he was particularly sensitive to problems being experienced by Vietnam veterans and that a plan must be developed to help them. There was further debate on how such problems should be addressed. Dr. Feldman said he believes it is important to develop a policy to look ahead and anticipate needs. When the needs are identified, the Legislature can address those needs and determine if funds are available to support those needs.

Dr. Robert Johnson, Chief Consultant for George Andres, Deputy Secretary, Veterans Homes, commented that the Veterans Home Division is aware of the substance abuse issue and is working on a State Task Force to identify how the issue should be addressed. They are acutely aware of the different needs of veterans of the Vietnam conflict and are actively involved in determining how those needs will be met. He said the study should be completed by the end of calendar year 2003, if not before.

Dr. Feldman continued with proposed policies relating to Veterans Homes. He emphasized that regardless of whether procedures were in place, policies covering those procedures should be written. Particularly mentioned were proposals regarding an on-call schedule for medical staff and maintenance of the memorial cemetery.

Dr. Feldman read proposed policy C10 as follows: A grid shall be developed to provide for a characterization of various scenarios that deal with the admissions of veterans with their spouses to the Veterans Homes (i.e., vet with vet spouse, vet with non-vet spouse, wartime vet with spouse, etc.) He said there is a need to prioritize. There should be some method of establishing priorities of admissions when there are a large number of couples seeking admission to the homes. Dr. Johnson said to the best of his knowledge there is no established priority, but there are certain federal VA requirements. Only a certain percent of those in the homes may be non-veterans if the homes are to continue to receive federal reimbursements.

There was further discussion regarding establishing policies for married couples entering Veterans Homes. Chairman Sinopoli said the policy should be one list throughout the State based upon when the application is received. There were comments from several people that a problems exist with couples wanting to enter a certain Veterans Home, rather than whichever Home happens to have a vacancy at the time and that some administrators have established their own priority lists. David Rodriguez, G. I. Forum, who was in the audience, asked who is empowered to establish policies for the Department. He was advised that the Board is responsible for establishing policy to be implemented statewide. Mr. Rodriguez commented that the Board should establish a policy for admission that should be followed by all of the Veterans Homes. Chairman Sinopoli agreed that should be done. Ms. Gaze said there appears to be differences of opinion as to what the policy should be—whether it should be first-come, first-served, or whether couples who are both veterans should have priority over everyone, regardless of when they apply for admission.

Board Counsel Joe Maguire said it is a difficult determination to make and difficult to establish a policy that will be equitable because there are so many different sets of circumstances. There are couples that are both veterans, couples where only one is the veterans, and also couples where one is in the Home and the other wishes to enter at a later date. There is more room in some Homes than in others. Hard decisions have to be made. Dr. Feldman said all factors should be considered, the Board should look at all the situations and differences of opinion and then a system of priorities should be developed, voted upon by the Board and set into policy. Inspector General Jerry Hansen mentioned that the medical condition of the applicants also is a factor to be considered.

George Andries, Deputy Secretary, Veterans Homes. He agreed that the problem is complicated, but the policy should be as straightforward and simple as possible so that it is easy to understand and as fair as possible.

It was agreed to get input from the administrators of the Homes, meet in committee and bring proposals to the Board for consideration and vote.

Dr. Feldman said he also has some amendments to be made to policy E-1, POW Advisory Committee, and he will submit some ideas to make the committee more responsive to the needs of the POW community.

Staff Counsel John Jackson mentioned there have been some proposed changes to policy A-4 dealing with appeals to the Board and the timeliness of filing appeals. He will provide copies of the changes to all members of the Board.

The Board recessed at 10 a.m. to work on input for the policy book. Chairman Sinopoli reconvened the meeting at 1 p.m. and continued with Select Committee reports.

Farm and Home - Judy Gaze, Chair: Ms. Gaze said she met with staff from Farm and Home and Bond Finance for almost three hours. She said it is critical for Board members to meet in Sacramento with staff in order to understand the programs and issues. She said much of the time today was spent discussing bond financing and how the Cal-Vet interest rates are determined in relation to the costs of the bonds. Ms. Gaze said Board members can remain politically neutral and can provide assistance to the Department in getting legislation introduced that will assist in the administration of the programs rather than merely voting to support or oppose legislation after it has been introduced. She said she will require more time to work with staff on developing and amending policies for the Farm and Home Purchases Division.

Annual Report – Jerry Basconcillo, Chair: Mr. Basconcillo said the annual report of Board activities to be submitted to the Governor on October 1 has been reviewed by members. Some minor changes will be made and it is on the Agenda for approval at the meeting Saturday, September 14.

Contract Review - Jerry Basconcillo, Chair: There are no contracts for review at this time.

Veterans Services - Jerry Basconcillo, Chair: Mr. Basconcillo asked Glen Halsey, Chief of the Veterans Services Division, to give his report. Mr. Halsey said there is no statutory requirement to provide an annual report. However, he has drafted a report on division activities. The Veterans Services Division (VSD) is comprised of 18 staff located at CDVA headquarters, all three USDVA regional offices and at the three Veterans Homes presently open. The Division manages over \$3.5 million in county subvention payments to California's 56 County Veterans Services Offices (CVSO). There are over 160 CVSO representatives in California.

He said there is nearly \$207 million more in benefits now being paid as a result of intervention of his staff and the CVSOs. The Division of Veterans Services provides representation, formal training, and federal accreditation testing for CVSO representatives who represent over 300,000 veterans, dependents and survivors. During the period July 1, 2001, to June 30, 2002, the Division analyzed 12,507 USDVA Rating Decisions, reviewed 3,337 USDVA files, and participated in activities in connection with 1,644 hearings. This work was accomplished by eleven staff members in the district offices. The Division administers the College Tuition Fee Waiver Program for veterans and dependents and survivors of veterans. During the 2001-2002 fiscal year, 12,982 fee waivers were granted and 726 were denied. Mr. Halsey said the Division reports regularly on the Veterans License Plate Program. There are currently 17,640 veterans' license plates in existence which have provided over \$1.5 million to support local veterans programs since its inception on January 1, 1995. The Division participates in all Stand Downs that take place in the State and, this year, has contributed \$5,000 to each through a program instituted by Governor Davis. The CDVA acts as a single point of contact on California homeless veterans for all federal, state and local agencies, as well as non-profit agencies and Stand Downs.

Mr. Halsey reported the Disabled Veterans Business Enterprise Program (DVBE) was transferred to the Veterans Services Division on July 1, 2002. Staff and resources were transferred from the Department of General Services on August 1, 2002. A proposed policy covering the DVBE program is being developed and will be presented to the Board for their consideration. He said he hopes to have more information by the next Board meeting. The CDVA made a commitment to DVBEs for 3% of all goods and services. Because of Secretary Thiesen's leadership in this program, and John Hanretty's assistance, the CDVA is actually at 16% of goods and services contracted with DVBEs. The goal of the DVBE Outreach Program is to promote and maximize the effective use of the DVBEs in the state contracting and purchasing process; assure fair and competitive DVBE participation; increase the number of certified DVBEs available to state agencies in their contracting and purchasing efforts; and, increase DVBE actual contracting and purchasing participation in the State's procurement process. There were 797 certified DVBEs as of August 2002.

In the Veterans Benefit Awareness Program, packets are sent each month to veterans who have separated from the military and list California as their home of residence on their DD 214, informing them of their state, federal and local benefits which they may be entitled to. Additional information is provided, including membership applications for many veterans' service organizations. Nearly 12,000 packets were mailed during fiscal year 2001-2002.

Other activities of the Division of Veterans Services include liaison with veteran service organizations; providing assistance to the Governor's Office and Legislators (both federal and state) on issues that affect veterans; recommending legislation; recommending changes in budget items; and making public presentations.

Appeals – George Sinopoli, Chair: Chairman Sinopoli acknowledged Douglas Wallis, a Cal-Vet loan holder who has an appeal before the Board and had asked to address the Board. Ms. Gaze explained that Mr. Wallis was appealing a decision regarding insurance coverage for wallpaper and acoustic ceiling damage in his family room resulting from a roof leak that had occurred several years prior to the most recent discovery of damage. She asked Mr. Wallis to provide a brief overview of his appeal.

Mr. Wallis passed out some exhibits in connection with his appeal that included pictures. He explained that in 1998 he reported a loss as the result of a roof leak. The roof leak was serious, but it was repaired. He said he did not follow through with his insurance claim at that time. He now has damage to wallpaper in his family room, which he says relates back to the roof leak in 1998.

Mr. Wallis provided some estimates for repair that state that the cause of the loss appears to be moisture in the attic. He said an adjustor was sent from GAB by the Department. There is a difference of opinion as to the cause of the damage. GAB determined that the staining on the wallpaper was caused by wallpaper glue. They denied Mr. Wallis' claim. Mr. Wallis said that he had not noticed the staining and was unaware of the ceiling stains until he called for an estimate to repair other damage. Mr. Wallis went on to state that he did not believe it was wallpaper glue that caused the staining. Chairman Sinopoli asked if the roof was still leaking and Mr. Wallis replied that it had been repaired. Chairman Sinopoli asked if Ms. Gaze had gone into detail with him regarding his appeal and Mr. Wallis replied "she did make that attempt." In reply to further questioning, Mr. Wallis said he had not discussed his opinions regarding the appeal with Ms. Gaze in detail. He needed time to get his thoughts together and wished to present them at this time. Chairman Sinopoli allowed him to continue. He appealed the denial of half of his claim of loss to George Flores, Chief of the Farm and Home Purchases Division. Mr. Flores denied his appeal based upon the length of time between the alleged loss and Mr. Wallis' report of the loss. Mr. Wallis took exception to the basis of Mr. Flores' denial. He said he was now requesting reconsideration by the Board. Mr. Lattman asked how long it was between the roof leak and the time the staining was noticed. Mr. Wallis said the roof leak occurred about 30 feet away from where the staining occurred and that he had noticed no other leaks when he walked around the house. But then this stain appeared two years later. Mr. Wallis said he had several estimates to repair the damage, the lowest of which is \$2,000.

Chairman Sinopoli assigned new appeals, as follows:

Bryon Daugherty – appeal of denial of entry to Yountville – assigned to Dr. Feldman.

Rachel Marie Loerch – appeal of denial of tuition fee waiver – assigned to Mr. Burke.

John Pagliero – appeal of denial of insurance claim, Farm and Home Purchases. Chairman Sinopoli said the appeal had not yet been heard by the Chief of the Farm and Home Purchases Division. The Board will not hear the appeal until it was heard at the Division level.

Dr. Feldman commented that on a policy basis, the Board should develop a more efficient method by which veterans may be heard regarding their individual appeals. He said it is important that veterans be heard, but the procedure should be more structured.

Dr. Feldman addressed the appeal of Joseph Reed who was denied admittance to the Yountville Home about one year ago. Dr. Feldman spoke to the psychologist who evaluated Mr. Reed. He questioned her about her interaction with Mr. Reed and had her characterize it for him. Upon questioning, the psychologist said he had felt intimidated by Mr. Reed. Mr. Reed had become angry when he was accused of having had a number of DUIs on his record. It turned out that was not true and Mr. Reed's case had been confused with another. Dr. Feldman said he felt Mr. Reed's reaction to the accusations were not unreasonable given that they were untrue. He has spoken with Mr. Reed and says he is almost eloquent in his ability to communicate. Mr. Reed had been invited to this meeting, but his son reported that he has pneumonia and could not attend. Dr. Feldman says he may be a good candidate for admission to the Yountville Home. However, he wants to interview Mr. Reed in person and asked to postpone the decision on the appeal until the October meeting. It was agreed the appeal would be put over.

Veterans Homes - Larry Lattman, Chair: Mr. Lattman said he would make his full report at the meeting on Saturday. He mentioned that the VA exit report passed the Yountville Home 100%.

Legislation – Leo Burke, Chair: Mr. Burke said he had met with Jerry Jones, Chief of the Legislative and Public Affairs Office, regarding Board policy dealing with legislation. They are working on a draft of the amended policy. Mr. Burke reported that Governor Davis has signed three veteran-related bills on September 11.

They are SB 1893, Johannessen, increasing the Cal-Vet maximum home loan to that set by Fannie Mae each year; SB 1281, Haynes, regarding fees at the Veterans Homes; and SB 1251, Johannessen, amending and deleting specified sections of the Military and Veterans Code and providing for Cal-Vet home improvement loans at rates to be set by the Department.

At this time, the Chair recognized Board Member Judy Gaze and Glen Rimbey, who introduced Wayne Roberts, Vice-President and Consulting Actuary, Standard Insurance of Oregon. Standard Insurance of Oregon is the company with the successful bid for the contract to provide life and disability coverage for the Cal-Vet Home Loan Program. Mr. Rimbey said Mr. Roberts was instrumental in putting the bid together and has a great team to take over the program. Chairman Sinopoli welcomed Mr. Roberts on behalf of the Board and Mr. Roberts thanked the Board and the Department for providing them the opportunity.

UNFINISHED AND NEW BUSINESS

John Hanretty said he would send a revised draft of policy on the Post Fund to Dr. Feldman.

Mr. Hanretty said that the Governor signed the State Budget since the Board last met. The Department's budget has everything in it that was submitted in May. The problem is there are two elements of the budget that are outside our appropriation that will have an impact. One is a vacancy drill. Two thousand vacant positions in all state agencies were offered up in order to balance the budget. It may actually be 7,000 positions. We don't yet know the impact on our Department. The second element is a \$730 million shortfall that was ignored by the Legislature in its haste to get the budget passed. The Governor has now asked for cuts of 5% in all agencies to cover the shortage in the current year. The CDVA, that is about \$3 million. We may not be required to cut that much, but we must go through the drill and present the numbers and where we can reduce services. For fiscal year 2003-2004, the Department has been asked to do a 20% reduction drill. That is about \$12 million for CDVA, because it gets about \$60 million from the General Fund. Another \$60 million is federal money, reimbursements and member fees. This will require very serious changes in how we operate if the Department must give up the entire \$12 million. We may be unable to hire many new people and we may lose vacant positions. It may also be necessary to eliminate some programs. Mr. Hanretty's Division is in discussions with the Allied Councils and leadership of all the Veterans Homes. We must be judicious about the cuts we recommend and put on the table, because they might happen. The good news is that vendors are now being paid and travel claims are being paid. We are awaiting the vacancy announcement and whether the Agency must give up some of its vacancies. As of June 30, 2002, there were 350 vacancies, 190 of which are in patient care.

Mr. Hanretty provided an update on the nine audits in process. He explained that his Division is responsible for tracking the audits, but generally there are different program managers who prepare the responses to the audits and implement any corrective action plans. He provided a copy of an audit report, the Department's response to the audit and the corrective action plan relating to the audit so that Dr. Feldman can understand what an audit entails and what level of detail he wishes to put into the Board policy. He said there are two audits being conducted by the Bureau of State Audits. The subject of the audit completed December 2001 is Weak Management and Poor Internal Controls. There were 19 recommendations. Of those, 6 have been completed and 13 corrective action plans are in progress. 30-day, 60-day and 6-month responses have been submitted and the 1-year response is due January 3002. The other BSA audit is on the Life and Disability Program. Of 3 recommendations, 1 has been completed and there are 2 corrective action plans in progress. 30-day, 60-day, 6-month and 1-year responses have been submitted.

There are seven audits in process that were requested by the Department itself in connection with its Financial Integrity Management Plan and reviews requested by the Secretary in order to more fully understand some organizational issues. These audits include management's reviews of CDVA Headquarters and the Financial Services Division and internal control reviews of the CDVA and VHC Accounting Offices, Information Security and Technology Controls, and CDVA Budget Office. Two additional audits will start in January—one of all state agencies and whether they are collecting all moneys due from the federal government and one of the California Veterans Board.

Board Member Lattman expressed his concern regarding the Veterans Homes' vulnerability to citations by the USDVA and the State Department of Health Services that will be exacerbated by the Department's inability to fill nursing positions and other positions relating to the care of Veterans Home residents.

Tom Kraus, Undersecretary, CDVA, responded that the Department is conscious of those problems. He said there is a major problem at Yountville relating to an inherent problem with the budget process over the years. The budget has been based on minimal salaries rather than actual salaries as they increase. Patient care positions will continue to be filled. We plan to remain above minimum standards in patient care. Additionally, unfilled positions result in the use of on-call and overtime that is more costly in the long run.

Mr. Kraus said the budget problems are complicated. First, we must meet this year's budget, independent of all the cuts. The two homes at Yountville and Barstow have the inherently flawed budgets. The shortfall for the current year at Yountville is about \$4 million and at Barstow it is about \$800 thousand. It is very difficult to make up the \$4 million by cutting back. One thing the Department is looking at is the acute hospital. The doctors are concerned about the operation of the acute hospital. There is a huge overhead cost for only 26 beds and the hospital serves an average of only 3 veterans per day. As the Department has gone through the drill, it has looked at closing Barstow or not opening Chula Vista. Looking at the Department mission of taking care of veterans, the primary test should be the maximum number of veterans being cared for within the budget allowed. Closing the hospital at Yountville makes the most sense because no one will be harmed. We are contracting our acute care services already. We have asked the Inspector General to do a study. This is an emotional and complex problem and the budget shortfalls are very serious.

Dr. Feldman commented that closing a facility that is operating at a sub-optimal level is not a bad thing, particularly since the service will be provided elsewhere, perhaps in a better setting. Mr. Burke asked about justifying closing facilities and, at the same time, building more Veterans Homes. He said this could be a problem and it was agreed that the Department had to look at the negatives of whatever actions are proposed. Mr. Hansen, the Inspector General, commented the concern would be greater if the Barstow Home were to be closed. Mr. Maguire, Chief Counsel, agreed and added that the federal government could have to be repaid if Barstow were closed. Mr. Kraus reiterated the need to serve the largest number of veterans with the limited funds available.

Mr. Lattman explained that urgent care and emergency medical teams would still be available at Yountville, as well as clinics and dental facilities. The beds would continue to be used by veterans returning from acute care outside of the home during rehabilitation before returning to their domiciliary units. He said the cost of gearing up to provide an acute care facility at Yountville would be in excess of \$5 million and it is no longer practicable to have such a facility.

Jerry Hansen, Inspector General, reported that his office is working on the internal audit on contracting. He said the Board reviews contracts for amounts of \$250,000 and above.

He said he has had a concern for some time that the Board does not review contracts that do not go through the traditional Request for Proposal (RFP) process. Many contracts do not go through that process and are not reviewed by the Board. Mr. Hansen suggested the Select Committee on Policy and Procedure may wish to address the issue.

Mr. Hansen also expressed concern about veterans who do not know about the benefits available to them and don't make inquiries until it is too late. This relates primarily to admission into the Veterans Homes. He gave examples and commented it is difficult to diagnose Post Traumatic Stress Syndrome when a veteran has advanced to Alzheimer's disease. There should be a better way of getting the word out to families of older veterans so that they can apply to enter the Veterans Homes while they are still healthy enough to qualify for entry. Many families wait too long and then blame the VA or CDVA because their relatives are no longer eligible for admittance because of advanced illness.

Mr. Hansen said the demands on his office were increasing, but he has only 3 staff members, 1 of which will retire in November. The budget cuts also affect his ability to travel. It is difficult to keep up with the demands of the many audits under the circumstances.

They recently investigated a complaint through the Bureau of State audits of Medicare fraud at Yountville. He said he found no evidence of Medicare fraud, but there is a potential for overfilling. It appears the allegations were the result of extrapolating figures from a few reports, but no real problems or evidence were uncovered during the investigations.

Mr. Hansen said he had no input into SB 1858 by Senator Knight that would require a member of the Board to have an accounting or auditing background. The bill would also allow the Inspector General and the Board to have access to documents and employees of the Department and require the Secretary to conduct audits on internal controls and provide those audits to the Inspector General. He said it would be increasingly difficult for his office to conduct audits without some kind of statutory authority to look into personnel matters. Such authority should be considered during the next legislative session.

Mr. Hanretty said he would get a list of contracts for the Board to look at to determine what the policy should be for review. He said most problems discovered in audits are the result of lack of proper written procedures or policy and lack of staff training. The Department is concentrating efforts on producing up-to-date written procedures based upon the laws governing the programs and the policies set by the Board. Training of staff is also a high priority.

There being no further business before the Board, Chairman Sinopoli adjourned the meeting at 2:30PM

CALIFORNIA VETERANS BOARD
MINUTES OF GENERAL SESSION #649
Saturday, September 14, 2002 – 9:00 AM
Medal of Honor Hall
1227 O Street, Sacramento, CA

GENERAL SESSION:

The California Veterans Board (CVB) monthly public meeting was called to order at 9:00 AM. Board members present included Chairman George Sinopoli (Fresno), Vice Chairman Edward Feldman (Westlake Village), Members Jerry Basconillo (Delano), Judy Gaze (San Diego), Larry Lattman (California Veterans Home in Yountville) and Leo Burke (Stockton).

David Grafft, Consultant to the Senate Committee on Veterans Affairs, presented the invocation. Sheryl Schmidt, Deputy Secretary of Veterans Affairs, led the assembly in the Pledge of Allegiance.

Chairman Sinopoli introduced the members of the Board; Joe Maguire, Legal Counsel to the Board; and CVB Executive Officer Earl Steck.

Mr. Krause introduced personnel from the California Department of Veterans Affairs (CDVA), to include Glen Halsey, Chief of Veterans Services Division; Sheryl Schmidt, Deputy Secretary for Women Veterans; Jerry Hansen, Inspector General; and Jerry Beaver representing the Farm and Home Purchases Division.

The audience introduced themselves.

MOTION passed to approve minutes from the CVB meetings of August 2 and 3, 2002, as corrected.

Chairman Sinopoli welcomed everyone and thanked them for attending. He said the Board had a full session the previous day working on proposed changes to existing policies and proposed new policies to guide the programs of the California Department of Veterans Affairs (CDVA).

REPORT FROM BOARD MEMBERS ON ACTIVITIES FOR AUGUST:

Member Larry Lattman reported attending the CVB monthly meeting in Redding in August. He said he had the great pleasure of attending the signing by Governor Davis of the legislation for the five new Veterans Homes. He said he wanted to thank everyone who had a part in that legislation. He said it was the biggest step forward made by the Department in many years. He reported a dinner meeting with Senator Chesbro with Congress Members Barney Frank and Nancy Pelosi.

Member Leo Burke reported he attended the Board meeting in August. He said it was a very productive meeting and he particularly appreciated meeting with Senator Maurice Johannessen. He attended The American Legion picnic in Yountville on August 4. He thanked Board Member Lattman for introducing him around and commented that everyone seemed enjoyed the picnic and the baseball games. He attended the signing of the legislation for the five new Veterans Homes and met with Secretary Thiesen and Department staff on August 20.

Member Jerry Basconcillo reported attending the Board meeting in August. He said he traveled about 1,000 miles in August working with The American Legion and VFW.

Member Judy Gaze said she traveled to Palmdale on August 1 to talk with Senator Pete Knight. She attended the Senate Committee meeting where she and others were confirmed as Members of the Veterans Board. She attended the meeting in Redding on August 2 and 3 and has been pursuing work with The Retired Officers Association (TROA).

Member Ed Feldman attended the CVB monthly meeting in Redding. In mid-August, he had the opportunity to be briefed by the Commanding Officer of the Special Operations Training Group, USMC, at Camp Pendleton. He met with the editor of Navy Medicine on a project being developed to integrate civilian medicine and Navy medicine. He also visited a civilian hospital and nursing home complex with an effort to have another view to use another institution as a basis of comparison to ours. He said he will continue to do that to get ideas that may be incorporated into the operation of the Veterans Homes.

Chairman Sinopoli reported he also attended the CVB meeting in Redding. The Senate Committee confirmed him on August 14. He attended the picnic and baseball games in Yountville on August 4. He also attended meetings of veteran's organizations in Fresno.

REPORTS:

(Status of CDVA Division / Select Cal Vet Board (CVB) Committees / Special)

VETERANS HOMES OF CALIFORNIA, CDVA DIVISION: Bruce Phillips, Division of Veterans Homes, reported on the three existing veterans homes.

Chula Vista Veterans Home – Admissions to the Domiciliary (DOM) began on May 30, 2000, to the Residential Care Facility for the Elderly (RCFE) on September 12, 2000, and to the Skilled Nursing Facility (SNF) on March 1, 2002. The facility now has 217 residents, with the DOMs and RCFE basically fully occupied. The goal is to maintain a census of 211 residents in these units. The Department of Health Services survey was completed with a successful Medicare Certification on July 10, 2002. The licensed beds in the SNF have been increased to 60 beds and will be incrementally increased to 120 beds by the end of the fiscal year. On-duty personnel presently number 171 with an additional 85.5 to be hired to staff the SNF once Department of Health Services (DHS) approval to proceed with admissions has been granted. Community support is very positive, but recruitment of nurses and pharmacists continues to be difficult. The difficulty may be diminished with authorization of additional recruitment bonuses.

Barstow Veterans Home – There are 244 residents in the Barstow Home. The newly appointed SNF Administrator, Rocio Rubio-Busby, reported for work on August 7 and the new Director of Nurses, Lorraine F. Jones, assumed her duties on September 3. The Department is extremely pleased to have these two people join our team. Secretary Bruce Thiesen visited the Home on September 5 and Undersecretary Tom Kraus had visited on August 7. On September 10, Deputy Secretary George Andries and John Hanretty, Chief, Financial Services Division, visited the Home to discuss financial planning and work on the contract for pharmacy services with the VA, Loma Linda. On September 11, 2002, a ceremony was held at Barstow Community College, adjacent to the Home. Bill Jackson, resident of the Home, was asked to lead the Pledge of Allegiance and officials of the Home were in attendance.

Also on September 11 the Home held a dedication ceremony for the Army tank on display at the entrance. Landscaping the site enhanced appearance and makes a beautiful addition to the grounds.

Yountville Veterans Home – This Veterans Home has 1,081 residents as of September 4, 2002. One resident is in the acute care hospital. The VA Survey held from August 12 to August 15 noted improvements in many areas. The Home's Infection Control Program, Fall Prevention Program, Laboratory Service and "homelike environment" were commended. Opportunities for further improvement include pain management, end of life care, credentialing and privileging of medical staff and more timely action by committees and services. Mr. Phillips said the written findings have been received and the overall report is very good.

Events at the Home and for Home residents scheduled in September include picnics hosted by the AMVETS on September 13 and Merchant Marines on September 28 at the Annex I Patio Area and dinners hosted by the Sacramento Elks Lodge on September 20 and the Petaluma Elks Lodge on September 27. The Yountville Days Parade and Festival are scheduled on October 6 and the Home residents and staff will participate in the parade commencing in front of Holderman Hospital.

Dr. Feldman asked if there was a full-time pharmacist at Chula Vista. Mr. Phillips replied there was not a full-time pharmacist at either Chula Vista or Barstow. There is a contract effective through June 30, 2002, with a pharmacist in Barstow. In Chula Vista, the Home is working through the registry and is seeking a long-term contract. The State salaries for pharmacists (R&R cost) are below those available elsewhere.

Mr. Phillips continued his report on the Veterans Home Division. He stated the quality assurance program is on line. This meets with federal and state requirements. In the next 30 days it will be implemented at the Veterans Homes. A redesign of Meditech is being undertaken. The goal is to fully automate all the homes. The Division is also going through the budget drills for all the homes, anticipating the budget cuts for both this fiscal year and next fiscal year.

Dr. Feldman asked if there were an adequate number of coders at each facility. Mr. Phillips replied there were enough at Barstow and Chula Vista, but that more could be used at Yountville. Dr. Feldman explained that coders are the group of people that convert a service into an element to be used for billing.

VETERANS HOMES CALIFORNIA, CVB Committee, Larry Lattman. Mr. Lattman said there is a group that wants to build a cultural center on the grounds of the Yountville Home. He said the Allied Council would be meeting on the subject and there will be a vote of the residents of the Home. He will report back after the vote, after which the Board will consider the matter and vote to approve or disapprove.

FARM AND HOME PURCHASES, CDVA DIVISION – Jerry Beaver reported that 108 loans totaling \$17,414,937.21 were funded in the month of August 2002. Board Members Judy Gaze and Leo Burke, with the concurrence of George Flores, Chief of Farm and Home, and Kandis Mendonsa, Chief of Bond Finance, determined that Cal-Vet interest rates for loans made with unrestricted funds should be reduced to 6% and that the rate on loans funded with general obligation bonds should be reduced to 5.5%. They also found that interest rate on revenue bonds should remain at 5.8%. These findings are based upon the costs of the bonds used to support the specific loans. The findings were presented to Secretary Thiesen who approved them to take effect on August 1, 2002.

The Division is in the process of finalizing the new Life and Disability Insurance Contract with Standard Insurance of Oregon. They are scheduled to take over the program in February 2003 under the contract that was approved by the Board. Standard Insurance is being very helpful and has sent staff to the Department on several occasions. It appears as though it will be an excellent working relationship.

SB 1893 by Senator Johannessen was signed into law by Governor Davis. It allows the maximum Cal-Vet loan amount to be tied to the maximum Fannie Mae loan limit for a single-family home, which is currently \$300,700. Fannie Mae adjusts the limit annually and it is expected that it will be increased. This legislation will help veterans purchasing in the higher-cost areas.

FARM AND HOME PURCHASES, CVB Committee, Judy Gaze: Ms. Gaze said she wanted to thank Jerry Beaver for allowing her to take up much of his time the previous day. They had an excellent meeting regarding policy. She said another part of the discussion was the need to help the younger veterans. The biggest need for the Cal-Vet loan program is with the younger veterans trying to establish homes. Marketing is important. But most important is consulting with the California Congressional Delegation to have federal laws changed so that the veterans who need the loans most are eligible to get them. The majority of the funds that are available are limited to war service veterans who had service prior to 1977. This leaves out the veterans of Desert Storm and more recent conflicts who must qualify for the limited amounts of revenue bond moneys and unrestricted funds.

VETERANS SERVICES DIVISION – Glen Halsey, Chief of the Division, said he had just celebrated his third-year anniversary with the Division and was very happy to be with the Department. Mr. Halsey reviewed the report he had given the previous day and said the Division would be producing an annual report to the Board each year.

The Division will be contacting Boards of Supervisors in the counties that have County Veterans Service Offices to ensure they are aware of the large amounts of money brought into their counties through the efforts of the CVSOs.

The Division is implementing its administration of the Disabled Veterans Business Enterprise Program. It is also reviewing policies to assist the Board in updating its Policy Book and is developing a Strategic Business Plan that will also be presented to the Board.

Staff from the Veterans Services Division attended the opening ceremony of the Nevada County Fair on August 7; the State VEC meeting in Sacramento on August 16; the Yuba-Sutter Stand Down, August 17, in Marysville; the California State Fair Salute to Courage Day, August 20, Sacramento; East Bay Stand Down, September 5 through September 8, Camp Parks, Dublin; and Sacramento Stand Down, September 6 through September 8, Sacramento.

[Please see minutes of the meeting on Friday, September 13, for additional information on activities of the Veterans Services Division.]

VETERANS SERVICES, CVB Committee, Veterans Services, Jerry Basconcillo: Mr. Basconcillo said he had met with staff of the Veteran Services Division on Friday regarding proposed policies and had been briefed on the DVBE program. He moved that the Board commend Glen Halsey and his Division for their outstanding achievements for veterans. Mr. Burke seconded the motion. Mr. Lattman commented on the outreach provided by the Division of Veterans Services. He mentioned calls from veterans who were in states of panic and considering suicide. He said he was immediately able to reach out to Veterans Services who would assist the veteran in any way they could.

MOTION passed unanimously to commend Glen Halsey and the Division of Veterans Services.

POLICY AND PROCEDURES, CVB Committee, Edward Feldman: Dr. Feldman said meetings were held the previous day with staff of the Department. Many proposals for changes and additions to existing policy will be under consideration. He said the Board welcomes all input from Department staff.

Maintaining the Board Policy Book will be an ongoing endeavor. He said the mission of both the Department and the Board is to serve the veterans of California.

Chairman Sinopoli interjected that the meetings the previous day on policies and procedures were very productive. The Board will continue to develop policy and make recommendations to the Department regarding the programs the Department administers.

CONTRACT MANAGEMENT, CDVA – Chairman Sinopoli noted for the record that John Hanretty, Chief of the Division of Finance had given his report the previous day and it would be reflected in the minutes of that September 13 meeting.

CONTRACT MANAGEMENT, CVB Committee, Jerry Basconcillo. There are no contracts to be considered at this time.

LEGISLATIVE AFFAIRS, CDVA – Jerry Jones, Chief of Legislative and Public Affairs, was not in attendance.

LEGISLATIVE AFFAIRS, CVB Committee, Leo Burke. Mr. Burke reported he had met with Jerry Jones the previous day regarding amendments or additions to policy relating to legislative affairs. Mr. Burke recognized David Grafft and thanked him for his assistance with legislation for veterans during the past legislative session. He thanked Jerry Jones for his legislative reports and Executive Officer Earl Steck for his assistance in connection with the positions taken by the Board.

Chairman Sinopoli asked Mr. Grafft if he and Senator Johannessen had been able to take any action regarding fee waivers for dependents of veterans. Mr. Grafft said it was discussed, but it was too close to the end of the session to take action this year. It will be looked into again during the next session. It is not a clear-cut matter. It is a definite benefit for veterans and their dependents, but the schools are in favor of maintaining the income limitations for the waiver of tuition fees. Chairman Sinopoli thanked Mr. Grafft for his efforts.

ANNUAL REPORT, CVB Committee, Jerry Basconcillo: Mr. Basconcillo thanked the Board Members and the Executive Officer for their input into the Annual Report that is now complete and once accepted by the Board will go to the Governor and then to the Legislature. He moved that the Board approve the report as it has been amended.

Chairman Sinopoli complimented the Board Members and the Executive Secretary on the preparation of the report. He said he believed it was the best that had been produced so far.

MOTION: Board voted unanimously to approve the Annual Report to the Legislature.

RECOGNITION AND AWARDS, CVB Committee, George Sinopoli: Chairman Sinopoli said there were no recognitions or awards to be presented at this meeting. He said the Board had recently recognized Secretary Thiesen for his outstanding job as Secretary of Veterans Affairs and he said the Board will continue to recognize individual veterans as well as organizations of veterans.

APPEALS, CVB Committee, George Sinopoli:

Joseph Reed, request for informal review of denial of admittance to the Veterans Home at Yountville, has been put over until the October meeting.

John Pagliero, request for formal hearing regarding insurance claim under the Farm and Home Program. It has been determined that Mr. Pagliero has not yet exhausted his appeal rights to the Division of Farm and Home Purchases. The Board cannot accept the appeal until Mr. Pagliero has appealed to the Chief of Farm and Home Purchases and been denied at that level.

M. J. Sinopoli, request for formal hearing regarding education fee waiver. Appeal will be heard at November meeting in Fresno.

Douglas Ray Wallis, request for informal hearing regarding denial of insurance claim, Farm and Home Purchases Division. Chairman Sinopoli asked Judy Gaze to present her recommendation on the appeal.

Ms. Gaze reported that Mr. Wallis was appealing the denial of a fire insurance claim for staining of wallpaper and some ceiling tiles, which he attributes to a roof leak that occurred in 1998. He had the roof leak repaired himself. He noted there was water damage in another room at that time. In 2001, he noticed water damage to wallpaper in his daughter's bedroom and the family room. The GAB adjusters that handle claims for the Farm and Home Purchases Division gave Mr. Wallis benefit of the doubt for the damage in the bedroom and granted that claim because there was evidence of water damage in the attic. GAB denied the claim for damage in the family room. Ms. Gaze said he had discussed the case with Mr. Wallis on a couple occasions, to a representative of GAB and to staff in the Farm and Home Purchases Division. She also did some independent research regarding damage to wallpaper. Ms. Gaze said she recommended the appeal of the denial of coverage for damage in the family room be denied. She explained there was no evidence of water damage in the attic over the family room and that the staining to the wallpaper in the family room was not the type of staining that would occur because of a water leak.

MOTION: Board voted unanimously to deny the appeal.

LEGAL DIVISION, Joseph Maguire, Deputy Secretary / Chief Counsel: Mr. Maguire reported the current caseload in the Law Division includes 13 adverse actions, 10 bankruptcies, 2 Board of Control claims, 7 citations, 34 civil litigations, 9 contract reviews, 2 EEOC claims, 2 insurance cases, 29 requests for legal opinions, 1 quiet title action, 9 unlawful detainers and 18 miscellaneous cases for a total of 136 cases. He said the office was one vacant attorney position. There is a lot of work to be done, including writing regulations, and he is trying to get a waiver from the hiring freeze in order to hire another attorney. He will also request more attorney positions to accommodate the increased workload resulting from the construction of the five new veterans homes.

Among the legal issues presently pending are Northridge earthquake cases, departmental telecommute policy, departmental reasonable accommodation policy, compressed work week and flex time policies, disaster indemnity policy and governing body bylaws.

Mr. Maguire reported there are few lawsuits against the department at this time. The department is currently involved in litigation resulting from the Fallbrook fire concerning a retaining wall supporting a road. In another case that was pending for several years, a judge recently ruled that no attorneys fees shall be paid by either side. This ruling favors the Department because the Department's legal fees totaled \$100,000, whereas the legal fees for the other side would have been \$400,000.

INSPECTOR GENERAL, Jerry Hansen: Jerry Hansen, Inspector General, reported that his office is working on seven internal audits for the Department.

In connection with the audit on contracting, he expressed concerned regarding the Board's oversight and review and suggested the Select Committee on Policy and Procedure may wish to address the issue.

Mr. Hansen said his office has been affected by the hiring freeze and will be further limited by the budget cuts. At the same time, the demands on his office are increasing. He was able to visit the Veterans Home at Barstow recently and is very pleased with the new people on staff. He also visited the Yountville Home and said he found no evidence of Medicare fraud as had been suggested in a BSA audit.

PUBLIC COMMENT – THREE MINUTE LIMIT:

(Board Policy Prohibits Response from Board Members)

UNFINISHED AND NEW BUSINESS:

Please refer to September 13 discussions.

FUTURE MEETING DATES AND LOCATIONS:

All meetings take place on Friday and Saturday unless notified.

Oct 4-5	San Diego
Nov 15-16	Fresno Area (Clovis)
Dec 6-7	Vet Home of Cal. In Yountville

Yearly schedule is posted on web site: www.cdva.ca.gov/board

CLOSING REMARKS:

CLOSED SESSION (if necessary or required)

The general reason or reasons for a closed session, and the specific statutory authority therefore, are (1) to consider the appointment or employment of a public employee under the authority of Section 11126(a) of the Government Code; and (2) to confer with or receive advice from the Board's legal counsel regarding pending litigation under the authority of Section 11126(E)(2)(A), (2)(B), and (3) of the Government Code.

- There being no further business to discuss the meeting was adjourned at 3:22 PM.
- These minutes are only a summary of the proceeding and are not reported here verbatim.
- These minutes are posted to the California Department of Veterans Affairs on-line website at www.cdva.ca.gov/board

ADJOURNED

NOTE: A public meeting of the following Select Committees was held on Friday September 13, 2002 at 8 am in the Medal of Honor meeting room, CDVA Building Sacramento, CA The following topics discussed: Annual Report, Appeals, Contract Review, Farm and Home, Legislation, Policy and Procedures, Recognition and Awards, Veterans Homes, and Veterans Services.